**2. BUDGET REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2016/17 ANNUAL REPORT OF THE DEPARTMENT OF DEFENCE AND MILITARY VETERANS, DATED 12 OCTOBER 2017.**

**DELAY IN TABLING OF DEPARTMENT OF DEFENCE ANNUAL REPORT FY2016/17**

The Portfolio Committee on Defence and Military Veterans took note of the Department’s letter to the Speaker of the National Assembly explaining the reasons for the delay in the tabling of the Annual Report of the Department of Defence for 2016-17, as published in the Announcements, Tablings and Committee Reports (ATC) of Parliament (No. 133 – 2017) dated 28 September 2017.

Note is taken of the difference of opinion between the Department and the Auditor-General on the legal status and accounting of the Special Defence Account (No. 6 of 1974) which led to the audit report not being issued. This impacted on the issuance of the 2016/2017 Audit Report by the Auditor-General which must be incorporated into the Department’s Annual Report.  The Office of the State Law Advisor issued a legal opinion regarding the matter, which is dated 29 August 2017, Reference No. 84/2017/18.

There are specific deadlines that have to be adhered to in the engagements with the annual reports and the subsequent compilation of the Budget Review and Recommendation Reports of Parliament.  The Committee would like to express its discomfort with the delay as it impacts negatively on its planned activities and oversight responsibilities. In particular, the Committee will not be able to provide an assessment of the department’s service delivery performance and the effectiveness and efficiency of the department’s use and forward allocation of available resources as prescribed in Section 5 (2) of the Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009).

**The Portfolio Committee on Defence and Military Veterans therefore recommends that the Minister of Defence and Military Veterans, National Treasury and the Auditor-General resolve the matter within 90 days or earlier, in order for the Portfolio Committee to engage with the Annual Report, as required by legislation.**

**BUDGET REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON THE 2016/17 ANNUAL REPORT OF THE DEPARTMENT OF MILITARY VETERANS (DMV), DATED 12 OCTOBER 2017.**

The Portfolio Committee on Defence and Military Veterans, having considered the financial and service delivery performance of the Department of Military Veterans (DMV) on 12 October 2017 for the 2016/17 financial year, reports as follows:

1. **1. Introduction** 
   1. **Description of core functions of the Department**

The Department of Military Veterans derives its mandate from the Military Veterans Act (No 18 of 2011), which requires it to provide national policy and standards for administration, socio-economic support, and empowerment and stakeholder management to military veterans and to their dependents, including benefits and entitlements to help realise a dignified, unified, empowered and self-sufficient military veterans community.

**1.2 Mandate of Committee**

The Portfolio Committee on Defence and Military Veterans (PCDMV) is mandated to oversee the Department of Military Veterans (DMV) to ensure that the Department fulfils its mandate through the monitoring of the implementation of legislation and adherence to policies, such as the Military Veterans Act and the Military Veterans Benefits Regulations and other related legislation. It must scrutinise legislation which supports the activities of Government; the budget and functioning of DMV.

**1.3 Purpose of the BRR Report**

Section 5 (2) of the Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009) allows for each Committee to compile a Budgetary Review and Recommendation Report (BRRR) which must be tabled in the National Assembly. Section 5(3) provides for a budgetary review and recommendation report to contain the following:

* an assessment of the department’s service delivery performance given available resources;
* an assessment on the effectiveness and efficiency of departments use and forward allocation of available resource; and
* recommendations on the forward use of resources.

The above is done in October of each year, and the BRRR is also a source document for the Standing/Select Committees on Appropriations/Finance to make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year’s performance, as well as performance to date, form part of this process.

**1.4 Methodology in compiling the report**

The Report is compiled from the various activities of the Committee. It is inclusive of the Committee’s meetings, oversight visits, reports on budget votes, strategic plans, annual performance plans, quarterly reports and annual reports, as well as previously published Committee reports.

**1.5 Dates of oversight visits**

The PCODMV did not conduct any oversight visit related to the DMV in 2016/17.

**1.6 Information used to compile the Report**

Besides the information on the Oversight visits, other information used in the assessment of the service delivery and financial performance included the:

* Committee reports on the 2016/17 Budget Hearings, Strategic Plans and Annual Performance Plan Reports;
* DMV Quarterly Reports;
* DMV Annual Report 2016/17;
* The National Development Plan;
* The 2016 and 2017 Estimates of National Expenditure;
* The 2016 State of the Nation Address; and
* The Auditor-General of South Africa Report on the DMV.

**1.7 Structure of the Report**

This report comprises seven sections:

* Section 1: Introduction – sets out the mandate of the Committee, the purpose of this report (BRRR) and the process to develop this report.
* Section 2: Provides an overview of the key relevant policy focus areas.
* Section 3: Provides an overview and summary of previous key financial and performance recommendations of Committee(2016/17).
* Section 4: Provides a broad overview and assessment of financial performance of the Department for 2016/17.
* Section 5: Voted Funds and Planned Expenditure for FY 2017/18
* Section 6: Key Committee findings.
* Section 7: Key Recommendations.

1. **Overview of the key relevant policy focus areas**

**2.1** **State of the Nation Address**

President Jacob Zuma delivered his State of the Nation Address (SONA) on 11 February 2016. Apart from the recognition of the Defence Force’s peacekeeping role, little emphasis was placed on matters pertaining to the Department of Defence and the Department of Military Veterans. Matters raised by the President relevant to the DMV, include the “Erection of a monument in France representative of the broader South African involvement in World War 1”. The monument will be erected as a true reflection of all South African participants in World War 1 for all racial groups in the country. This links up to Heritage, Memorials, Burials and Honour sub-programme of the Empowerment and Stakeholder Management Programme of the DMV.

**2.2 National Development Plan (NDP)**

The DMV contributed to the National Development Plan (NDP) through its various programmes for the Financial year 2016/17. The relevant chapters include the following:

***Chapter 3: Economy and Employment*:** Facilitating employment for military veterans contributes to the NDP. 179 military veterans were provided with general advice on business support and development.

***Chapter 6: An integral and inclusive rural economy*:** A monthly allowance of R1 200 was provided to 2 243 military veterans and/ or dependants through Social Relief of Distress (SRD).

***Chapter 8: Transforming Human Settlements*:** 168 newly built houses were handed over to military veterans (five in Free State; 38 in Northern Cape; 19 in North West; 15 in Limpopo; six in Eastern Cape; 48 in Gauteng, one in KwaZulu-Natal and 36 in Mpumalanga). In addition, 104 distressed owners of mortgaged houses were rescued.

***Chapter 9: Improving Education, Training and Innovation***: 7 146 Military veterans and their dependants were provided with bursaries for higher and basic education, 50 of whom graduated. Additionally, 1 849 received access to training and skills development.

***Chapter 10: Promoting Health***: For 2016/17, a total of 1 074 military veterans were authorised to access healthcare, bringing a total number of beneficiaries to 15 740 to date. Dedicated counselling benefits were provided to 1 593 military veterans and their dependants. Burial support funding was provided to 460 military veterans` families. To date, 105 military veterans were provided with a once-off compensation benefit.

**2.3 Medium Term Strategic Framework (MTSF) 2014 - 2019**

For 2016/17, the DMV contributed to the following MTSF outcomes:

***Outcome 1: Improved-quality basic education*.** During the 2016/17 period, 7 146 Military veterans and their dependants were provided with bursaries for higher and basic education, 50 of whom graduated. Additionally, 1 849 received access to training and skills development.

***Outcome 2: A long and healthy life for all South Africans****.* For 2016/17, a total of 1 074 military veterans were authorised to access healthcare, bringing a total number of beneficiaries to 15 740. Dedicated counselling benefits were provided to 1 593 military veterans and their dependants. Burial support funding was provided to 460 military veterans` families. To date, 105 military veterans were provided with a once-off compensation benefit.

***Outcome 4: Decent employment through inclusive economic growth.***179 military veterans were provided with general advice on business support and development.

***Outcome 5: A skilled and capable workforce to support an inclusive growth path***. 22 letters of support were issued for military veteran-run businesses seeking support from other state organs, submitting tender bids and striving for joint ventures with private business entities. There were 132 military veteran-owned companies for 2016/17. In addition, 179 military veterans provided with general advice on business support and development.

***Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all***. A monthly allowance of R1 200 was provided to 2 243 military veterans and/ or dependants with SRD.

***Outcome 8: Sustainable human settlements and improved quality of household life*.** 168 newly built houses were handed over to military veterans (five in Free State; 38 in Northern Cape; 19 in North West; 15 in Limpopo; six in Eastern Cape; 48 in Gauteng, one in KwaZulu-Natal and 36 in Mpumalanga). In addition, 104 distressed owners of mortgaged houses were rescued.

***Outcome 12 - An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.*** Risk-based audits were conducted from the approved risk management plan. Quarterly risk assessment was conducted as part of the internal auditing and risk management process. The Department has a fully operational business activity statements (BAS) and payroll systems. All statutory planning, monitoring and evaluation documents were developed and submitted to external stakeholders. The Appeals Board and Advisory Council were operational as well as SANMVA. In addition there is a fully operational Audit Committee.

**2.4 Strategic Priorities of Department**

The Strategic Priorities of the DMV are closely linked to Government’s medium-term strategies. For 2016/17, they include the following:

* *Health*: In ensuring a dignified lifestyle, safe and human/ healthy environment for military veterans, the DMV continued to provide needs-based healthcare programmes and services aimed at maintaining the well-being of military veterans. A total of 15 740 military veterans were provided with healthcare services in partnership with SAMHS. In addition, 1 593 military veterans were counselled during the period under review.
* *Education*: During 2016/17, the Department targeted 4 000 military veterans and their dependants for education support. However, the demand exceeded the targets resulting in the DMV having 7 146 approved applicants.
* *Training and skills development*: 1 908 military veterans and their dependants received access to training and skills development.
* *SRD*: The Department implemented the SRD project to alleviate poverty and unemployment amongst military veterans. Although 2 000 veterans were targeted, 2 243 military veterans and their dependants were assisted.

**2.5. Overview of DMV Strategic Plan and Annual Performance Plan**

The DMV 2016/17 Annual Performance Plan and the Strategic Plan (2015 - 2020) give effect to the mandate of the DMV which translates into the following programmes:

* **Administration**

This programme is responsible for the provision of Strategic direction through six sub-programmes, namely; Management; Corporate Services; Financial Administration; Internal Audit; Strategic Planning, Policy Development and Monitoring and Evaluation; and Office Accommodation.

* **Socio-Economic Support (SES)**

The provision of socio-economic support to both military veterans and their dependants is still a mandate that deserves a greater effort by the Department. During the period under review, 168 newly built houses were handed over to military veterans (five in Free State; 38 in Northern Cape; 19 in North West; 15 in Limpopo; six in Eastern Cape; 48 in Gauteng, one in KwaZulu-Natal and 36 in Mpumalanga). In addition, 104 distressed owners of mortgaged houses were rescued. 1 074 military veterans were authorised to access healthcare, bringing a total number of beneficiaries to 15 740. Dedicated counselling benefits were provided to 1 593 military veterans and their dependants. In terms of bursaries, 7 146 military veterans and dependents were funded.

* **Empowerment and Stakeholder Management (ESM)**

Managing and facilitating the implementation of military veterans’ empowerment and stakeholder management programmes, is a mandate that demands greater effort. Some 1 908 military veterans and their dependants received access to training and skills development. 22 letters of support were issued for military veteran-run businesses seeking support from other state organs, submitting tender bids and striving for joint ventures with private business entities. There were 132 military veteran-owned companies for 2016/17. In addition, 179 military veterans were provided with general advice on business support and development.

**3. Summary of previous recommendations of the Committee**

**3.1. 2016 BRRR Recommendations**

In 2016, the Committee made the following recommendations in its BRR Report on performance of the DMV for the 2015/16 financial year.

***3.1.1 Budgetary related recommendations:***

* The Committee encouraged the Department to enhance its efforts to address the underspending and underperformance through the TSI and the Acting D-G to improve the lives of military veterans.
* The Department was not putting its weight behind the objective of being independent. The Department was urged to ensure that all systems are in place to ensure that it is able to exist independently from the Department of Defence. The DMV is still not having an independent budget vote.
* The Department should submit a report on progress regarding the MPAT, preferably when it reports on the performance of the Second Quarter for FY 2016/17. This was done using the dashboard developed by the Committee to track progress.
* A Skills Audit is essential to properly plan training and the Department was requested to present a report on this at the next meeting, especially as the vacancies and skills gaps in the service delivery programmes are detracting it from functioning optimally. The Skills Audit Report has not been submitted to the Committee. Vacancies still exist in the Department.
* Only 72 per cent of Performance Agreements were signed. The Department was urged to ensure that 100 per cent is reached. Only 99 per cent was achieved in 2016/17.
* The Department should report back at the next meeting on the progress made with provincial offices as these are crucial to reach out to military veterans all over the country. It should similarly ensure that these offices are properly staffed to facilitate access to the Department and the various benefits as seamlessly as possible. Provincial offices in most provinces are not in existence.
* The Department should give feedback on efforts to improve the relationship with SITA, *inter alia* the instruction that IT-related equipment should be procured through it, as well the status of their monthly meetings to improve their relationship. Even though feedback was given, challenges still exist.
* The Department indicated that it is following the normal recruitment processes regarding the appointment of military veterans. The Committee encouraged it to ensure that these processes are strengthened and that the “best person” for the job should be employed.
* The Committee recommended that the Consequence Management regime of the DMV be strengthened and that it should report at the next meeting on the cases and steps taken against persons who were found to be responsible for instances of Irregular and wasteful expenditure and other serious transgressions. Investigations are still being conducted in this regard.
* The Department was requested to report back on progress to overhaul the SCM and Procurement processes in the Department in total with the assistance of National Treasury and the DPSA. The training intervention was welcomed and the Department was urged to report on progress in this regard on a regular basis.
* The Committee was informed that some of the funds “parked” at NSFAS, has since been utilised for the current academic year and it was encouraged to ensure that these funds were properly accounted for and utilised. NSFAS remains a challenge.
* The Committee wanted clarity on the exact number of the people employed at the DMV and these statistics should be inclusive of contracts workers, interns etc., and it should report back at the next meeting. This was provided in the Annual Report of 2016/17.
* The Committee recommended that the Department should prioritise the Database through enhancing its verification processes with military veteran organisations such as SANMVA and the assistance of the TSI to make progress on this issue. This is crucial since some of the benefit roll-outs seem to rely on an accurate database, and also because an inaccurate database can open the Department to possible litigation. The Database remains a challenge.
* The Department was told to ensure that its reports on SLA’s and MOU’s need to be as complete as possible, thus listing both the in-year numbers as well as the cumulative number of the SLA’s and MOU’s, when it reports to the Committee.
* The Committee encouraged the Department to ensure that interns and contract workers are being treated fairly in particular when they are performing very well in especially service delivery programmes that are struggling to perform.
* The Department should at its next meeting with the Committee report on its disciplinary cases i.e. the numbers, offences, outcomes etc.
* The Department was requested to report to the Committee on its new structure as soon as it has been approved by the Executive Authority.
* The Committee wanted the Department to report on a quarterly basis on progress with housing and the transport benefit, in which the Department performed poorly in previous years. A progress report was provided but these targets were still underachieved.
* The Call Center challenges should be prioritised, especially since the Department has indicated that some of the functions will migrate from SITA to DMV. It should report to the Committee on this, with a view a having a joint meeting with both parties to assist addressing these issues.
* The Committee recommended that the DMV looks into the challenges around the pay-out of Burial support funds as a matter of urgency to ensure that the last respects are paid to military veterans in a dignified manner. This was done and progress has been made.
* The Department was encouraged to improve the performance of the Strategic Planning, Policy Development and Monitoring and Evaluation sub-programme through proper and speedy staffing as well as Management playing a bigger role to take responsibility of their respective policies.
* The Committee recommended that the Department should report back on the outstanding issues at the next meeting and progress regarding the recurring issues to allow the Committee to track progress in this regard.

***3.1.2 Response by Department and Minister of Finance:***

The Minister of Finance’s response dated 17 May 2016 to the 2015 BRRR recommendations, refers only to the recommendations made on the Department of Defence. No Response was received for the 2016 BRRR.

**3.2. Committee 2016/17 Budget Report**

The Committee made the following recommendations in terms of the 2016 Annual Performance Plan, Strategic Plan (2015 - 2019) and the 2016/17 Budget of the Department of Military Veterans:

* The reasons for the delay in the appointment of an accounting officer were unclear and the Committee urged the speedy appointment of an accounting officer for the Department. The appointment is still outstanding.
* The performance target set for the Management Performance Assessment Tool (MPAT) was very ambitious and the Department was implored to set a more realistic and achievable target that takes into account the practical constraints being experienced.
* The strengthening of the Internal Audit Unit has to be prioritised in order for the Department to ensure compliance with national regulations, and the resolution of audit queries. The Department should also strengthen its monitoring and evaluation, policy, and supply chain management capacity to facilitate good governance which have shown weaknesses over a period of time. The DMV failed in terms of Internal Audit Unit.
* Vacancies ought to be filled responsibly and care must be taken to ensure that the most appropriately skilled and qualified persons are appointed. The Committee urged the DMV to present the results of the skills audit conducted by the DMV to the Committee. If such a skills audit has not been completed, it should be prioritised and shared with Members. This information has not been shared with the Committee.
* The Committee required more details regarding the State Information Technology Agency’s (SITA) role in modernising the Department’s ICT systems.
* The Department ought to prioritise the payment of invoices within the prescribed 30-day period, given the impact of late payments on SMME’s. This was not achieved.
* The reduction of funding to the military veterans’ database was concerning and the Committee request the DMV to provide it with quarterly updates on the status of the database and to prioritise the urgent finalisation thereof.
* The slow and often lack of service delivery to military veterans is threatening nation building and reconciliation efforts. The Department should therefore enhance its overall efforts to prevent the escalation of protests by military veterans.
* The slow progress made in the provision of housing to military veterans and their dependants, was concerning to the Committee. The Committee proposed that the DMV engage with provincial and local governments as well as the Department of Human Settlement to ensure the speedy delivery of such houses. The Committee also requested quarterly updates on the delivery of housing to military veterans throughout the financial year. This was done but the Department still underachieved. Only 168 houses were newly built instead of the planned 1 000.

1. **4. Overview and assessment of financial AND PROGRAMME performance**

**4.1. Overview of Vote allocation and spending trends for 2016/17 FY**

In terms of the budget for 2016/17, the DMV spent R**504.6 million or 84.5 per cent** of its total allocation of **R597.6 million**. This means that the DMV underspent by 15.5 per cent, which is higher than 8.3 per cent recorded in 2015/16. Although underspending was recorded in all programmes as shown in Table 2; it should be noted that this is an improvement as compared to the expenditure for 2013/14 in which only **R165.9 million or 47.2 per cent** of its total budget of **R351.4 million** was spent (see Table 1).

**Table 1: Overview of Expenditure per Programme**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme**  **R’000** | **Final Appropriation** | **Actual Expenditure** | **Variance** | **Percentage Spent** | **Percentage Underspent** |
|  |  |  |  |  |  |
| Administration | 159 332 | 158 056 | 1 276 | 99.2% | 0.8% |
| Socio-Economic Support | 313 541 | 243 472 | 70 069 | 77.7% | 22.3% |
| Empowerment and Stakeholder Management | 124 734 | 103 093 | 21 641 | 82.7% | 17.3% |
|  |  |  |  |  |  |
| **Total** | **597 607** | **504 621** | **92 986** | **84.5%** | **15.5%** |

In terms of programme expenditure, all programmes recorded underspending with the highest being Socio-Economic Support at 22.3 per cent, followed by Empowerment and Stakeholder Management at 17.3 per cent, and Administration at 0.8 per cent.

The three programmes of the DMV had a total of 23 set targets of which 14 were achieved leading to a success rate of 61 per cent as indicated below:

Total targets set: 23

Targets achieved: 14/23

Targets not achieved: 9/23

Success rate: 61%

Total Budget Spent (%): 84.5%

**4.1.1 Administration**

Total targets set: 12

Targets achieved: 8/12

Targets not achieved: 4/12

Success rate: 66.7%

Total Budget Spent (%): 99.2%

As shown above, Administration had a total of 12 targets of which 8 have been achieved leading to a success rate of 66.7 per cent. The underachieved targets are: Percentage of staff attended training initiatives (43 per cent out of 100 per cent); Percentage of signed Performance Agreement submitted to HRM (99 per cent out of 100 per cent); Percentage staffing of vacant funded posts (79 per cent out of 90 per cent); Percentage of legitimate invoices paid within 30 days of receipt (67 per cent out of 90 per cent).

In terms of budget, this programme has **spent R158.06 million** of the allocated **R159.3 million**. This means the DMV recorded an **underspending of R1.3 million** or **0.8** **per cent** of the allocated budget as shown in Table 4. No overspending was recorded. Underspending was recorded for Corporate Services (R1.04 million), Internal Audit (R217 000), and Strategic Planning, Policy Development, Monitoring and Evaluation (R18 000).

**4.1.2 Socio-Economic Support**

Total targets set: 5

Targets achieved: 3/5

Targets not achieved: 2/5

Success rate: 60%

Total Budget Spent (%): 77.7%

As shown above, Socio-Economic Support had a total of 5 targets of which 3 have been achieved leading to a success rate of 60 per cent. In contrast, this programme spent 77.7 per cent of its allocated budget, and 40 per cent of its targets were underachieved. The underachieved targets include the Number of deserving military veterans with decent housing per year (168 out of 1 000 planned); and Average days taken to register and update personal records of Military Veterans on the National Military Veterans database (61 days out of 60 planned).

In terms of budget, this programme has **spent R243.5 million** of the allocated **R313.5 million**. This means the DMV recorded an underspending of **R70.1 million** or **22.3 per cent** of the total allocated budget. It is concerning considering that only 60 per cent of the targets were achieved while 77.7 per cent of the budget was spent. In terms of sub programmes, underspending was recorded for all programmes. The largest in terms of percentage was Database and Benefits Management at 77 per cent (R1.98 million underspending), followed by Socio-Economic Support Services at 71.3 per cent (R67.2 million), and Healthcare and Well-being support at 98.7 per cent (R930 000).

**4.1.3 Empowerment and Stakeholder Management**

Total targets set: 6

Targets achieved: 3/6

Targets not achieved: 3/6

Success rate: 50%

Total Budget Spent (%): 82.7%

As shown above, Empowerment and Stakeholder Management had a total of 6 targets of which 3 have been achieved leading to a success rate of 50 percent. In contrast, this programme spent 82.7 per cent of its allocated budget, and 50 per cent of its targets were underachieved. The underachieved targets include the Number of private sector companies and organs of state in partnership with the Department of Military veterans per year (0 out of 60 planned); Number of deserving Military Veterans to access relevant training and skills development per year (1 908 out of 3 500 planned); and Number of agreements established at continental and international levels per year (0 out of 30 planned).

In terms of budget, this programme has **spent R103 million** of the allocated **R124.7 million**. This means the DMV recorded an underspending of **R21.6 million** or **17.4 per cent** of the total allocated budget. The sub programmes with underspending were Provincial offices and stakeholder relations (R11.5 million); Empowerment and Skills Development (R7.6 million); and Heritage, Memorials, Burials and Honours (R2.5 million).

**4.2 Financial statements**

The financial statements indicate many corrections of the errors made in the previous financial year. These range from incorrect figures of revenues to misclassifications of various items such as salaries and wages, consultants, housing etc. This has been indicated as a major concern by the A-G. Nonetheless, the following should be noted:

* **Unauthorised Expenditure**: Similar to 2013/14 and 2014/15, no unauthorised expenditure was incurred for 2016/17. The DMV should be commended.
* **Irregular Expenditure**: In terms of Irregular Expenditure, the closing balance was R82.26 million, which include R65.9 million from the previous years and R16.3 million for the current year. Incidents of Irregular Expenditure include the following:
* 8 Cases of non-compliance with procurement processes for R694 000. Investigations have commenced with some letters issued to potential transgressors for response.
* 15 Cases of non-compliance with supply Chain Management processes for R12.6 million. Investigations commenced with some letters issued to potential transgressors for response.
* Non-compliance with DMV approved Financial Delegations (period of 01 April to 11 August 2016) for R89.6 million. The Financial Delegations Policy was formalised and signed on the 12 August 2016. The condonement letters were approved by the acting Accounting Officer.
* Non-compliance with Military Veterans Regulations by not applying the Means Test for R247 000. Consequence management will be implemented by the end Quarter 2.
* Non-compliance with SCM processes for R2.9 million. Payments for MV beneficiaries school accommodation and books where the Tender process was avoided. The investigation was outsourced and the Service Provider was appointed. The investigation is underway.
* 6 Cases of non-compliance SCM for R121 000. Deviation for 3 quotations. Investigations commenced with some letters issued to potential transgressors for response.
* **Fruitless and Wasteful Expenditure**: Fruitless and Wasteful Expenditure awaiting resolution was R3.2 million, which include R2 million for 2015/16, R1.8 million for 2016/17, and R658 000 transferred to receivables for recovery. The incidents contributing to the 2016/17 fruitless and wasteful expenditure include Expenditure incurred by the Department for bookings where the travellers did not cancel if they were unable to travel or attend (R658 0000), LOGIS system payments not yet being used by the Department (R43 000), Catering for a meeting that was subsequently cancelled (R4 000), Fruitless and wasteful of dental fee invoice paid for Military Veteran under investigation (R853 000), Procurement of very expensive computers (R129 000), and Duplicate payments on school fees (R142 000).
* **Contingent Liabilities**: The total for Liabilities was R206 million. These include Fetola Mogopolo Construction and Interior Design (R4 million), B & M Catering Services (R2.01 million), Zwiito Cleaning R1.341 million), Zeal Health (R198.15 million), Bakoena Entertainment (R413 000). The AGSA raised concerns about these liabilities.

**4.3 Compensation of employees**

The Annual Report indicates a vacancy rate of 21 per cent by 31 March 2017 with 133 of the approved 169 posts being filled. The challenge facing the DMV is a high staff turnover. To compensate for personnel, the DMV has created 74 contract posts. This means the DMV had 207 personnel by 31 March 3017. In terms of number of employees by salary band, a total of 240 (not 207 as indicated above) employees are recorded. The costs associated with personnel are indicated below.

**Table 2: Comparative Compensation of employees**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| **Programme 1: Administration** | R56.8m (102) | R63.9m (84) | R61.9m (103) | R69.4 m (103) |
| **Programme 2: SES** | R15.4m (21) | R18.1m (17) | R22.8 (20) | R23.2m (20) |
| **Programme 3:ESM** | R25.6m (46) | R26.4m (32) | R28.1m (46) | R28.5m (46) |
| **DEPARTMENT TOTAL** | **R97.5 m (169)** | **R108.5m (166)** | **R112.8m (169)** | **R121.2 m (169)** |

**Table 3: Personnel figures- 2015/16 to 2018/19**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Performance indicator | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 1st Q | 2nd Q | 3rd Q | 4th Q |
| Percentage staffing of vacant funded posts | 79% (152) | 79% (133) | 90% (169) | 90% (169) | 80% | 83% | 85% | 90% |

**4.4 Report of the Auditor-General of South Africa FY 2016/17**

**4.4.1 Unqualified Audit Opinion**

The Department received an **unqualified audit opinion**. This is an improvement from the qualified of opinion of 2015/16, and the disclaimer received for 2013/14.

**4.4.2 Emphasis of matters:**

These include:

*Uncertainty relating to the future outcome of exceptional litigation:*Concern was raised with regard to the outcome of a lawsuit regarding a cancellation of contract. For 2016/17, R413 000 was recorded as liabilities incurred, which involved Bakoena Entertainment. Other service providers involve in litigation with the DMV include Fetola Mogopolo Construction and Interior Design, B & M Catering Services, Zwiito Cleaning, and Zeal Health.

*Additional issues included:*

*Unaudited supplementary schedules:*The supplementary information set out on pages 154 to 161 does not form part of the financial statements and is presented as additional information. For the 2015/16 Annual Report, supplementary information set out on pages 162 to 168 did not form part of the financial statements and was presented as additional information. Similar to 2013/14, these have not been audited.

**4.4.3 Predetermined Objectives**:

The A-G could not obtain evidence about the usefulness and reliability of some of the reported performance information of programmes 2 and 3. This is a re-occurring problem from 2013/14, 2014/15, and 2015/16. The following programmes were affected:

* *Programme 2: Socio-Economic Support*: Firstly, the reported achievement for the Number of bursaries provided to military veterans and their dependants per year was misstated as the evidence provided indicated 6 193 and not 7 146 as reported. Secondly, the target for Average days taken to register and update personal records of military veterans on the database was not measurable due to a lack of verifiable processes to measure actual performance. Consequently, reliability of the actual achievement reported could not be verified.
* *Programme 3: Empowerment and Stakeholder Management*: The reason for the variance between the planned target of 3 500 and the reported achievement of 1 908 was not reported in the annual performance report, as required by the Annual report guide for national and provincial departments. The Department reported on mitigating strategies that will be undertaken to address under-performance going forward instead of reasons for variances. In addition, the reported achievement for the target of deserving military veterans with access for training and skills development was misstated as the evidence provided indicated 2 480 and not 1 908 as reported. In terms of the Number of military veterans’ memorial sites erected per year, the source information for the achievement of the planned indicator was not clearly defined, as required by the FMPPI. Accordingly, the planned performance was not measurable due to inconsistencies with regards to processes used for collection of data for reporting purposes. In addition, evidence provided to substantiate reported targets was not sufficient and appropriate and therefore 50 per cent of the reported achievements could not be validated.

**4.4.4 Adjustment of Material Misstatements*:*** Some of the material misstatements were not corrected by management. Thus, the A-G raised material findings on the usefulness and reliability of the reported performance information.

**4.4.5 Compliance with legislation:**

* ***Financial Statements, Performance and Annual Reports***: The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. Material misstatements in assets and financial statement disclosures identified by the auditors in the submitted financial statements were corrected and the supporting records for goods and services and employee cost were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion. It should be noted that these are recurring findings which resulted in a disclaimer audit opinion in 2013/14.
* ***Expenditure Management***: Effective steps were not taken to prevent irregular expenditure of almost R106 million, and fruitless expenditure of R1.829 million, as required by the PFMA and Treasury Regulations. Of the irregular expenditure, R86.6 million relates to non-adherence to approved financial delegations, and R11.9 million relates to contracts from the previous financial year. Similar to the previous years, effective internal controls were not in place for payment approval and processing, as required by Treasury Regulations. Money was spent without the approval of the accounting officer or a properly authorised official, as required by Treasury Regulations. Contractual obligations or money owed by the department were not met and settled within 30 days, as required by the PFMA and Treasury Regulations.
* ***Strategic Planning and Performance Management****:* Specific and appropriate information systems to enable the department to monitor progress made towards achieving the goals, targets and core objectives, as indicated in the annual performance plan, were not implemented and operational as required by public service regulations.
* ***Procurement and Contract Management****:* Sufficient appropriate audit evidence could not be obtained that some quotations were awarded to bidders based on points given for criteria that were stipulated in the original invitation for quotations, as required by Treasury Regulation 16A6.3(a) and the Preferential Procurement Regulations. Similar to previous years, goods and services above R500 000 were procured without inviting competitive bids.
* ***Internal Control***: Several issues regarding internal control have led to an unqualified audit opinion. The issues identified include the following:
* *Leadership*: The accounting officer did not exercise effective leadership and oversight responsibility regarding financial and performance reporting, compliance and related internal controls. Policies and procedures relating to core benefits paid by the DMV were not documented and approved for implementation. Action plans to address prior year audit matters were not properly documented and monitored, resulting in material adjustments to financial and performance reports and non-compliance with legislation.
* *Financial and Performance Management*: The lack of proper management systems and inadequate reviews resulted in the failure to implement effective controls to ensure that information in the financial statements and performance report were reliable before submission for audit. Management did not review compliance with laws and regulations and monitoring was not effective as it was not focussed on ensuring adherence to laws and regulations.
* *Other Reports*: An investigation has been conducted with regard to fraud relating to benefits paid to military veterans.

**4.5. Governance**

**4.5.1 Effectiveness of Internal Control**

For 2016/17, the Audit Committee Report, noted that the system of internal control was effective. However, it also noted that more still needs to be done. Instances of non-compliance and internal control deficiencies identified included the following:

* There were discrepancies with regards the implementation of the prescribed framework for managing programme performance information for selected programmes, and this was also reflected in the AGSA’s audit report.
* Lack of documented and approved internal policies and procedures.
* Irregular expenditure, fruitless and wasteful expenditure.
* Fraud investigations in education.
* Consequence management not implemented.
* Non-compliance with laws and regulations.
* Continuous delays to adequately resource the internal audit function.
* Control weaknesses within the IT environment.

**4.5.2 Internal Audit**

The Audit Committee found that the internal audit function has not fully discharged its mandate, as the approved plan was not fully implemented. Consequently, the Committee could not receive adequate independent and objective assurance from internal audit on controls, governance and risk management, partly because it was not fully resourced. **Internal Audit should be fully staffed as a matter of urgency.**

**4.5.3 In-Year Management and Monthly/ Quarterly Report**

The Audit Committee noted the timeous submission of all reports. However, an improvement in performance reports is required in relation to the objectives to strictly adhere to the SMART principle. This was also raised by the A-G, and is a recurring challenge.

**4.6 Quarterly Reports 2016/17**

**4.6.1 First Quarterly Report**

The Department of Military Veterans presented its First Quarterly Performance to the PCDMV on 30 June 2016.

**Non-financial Performance**

The Department had committed to 21 performance targets areas over the quarter under review. Of the 21 targeted performance areas which the department reported on, 14 targets were achieved which constitute to 66.7 per cent overall achievement of the targeted performance compared to the performance commitments set for the 1st quarter.

**Financial Performance**

As at 30 June 2016, the DMV spent R91.2 million of its planned spending of R135.3 million. This translates to a variance of 8 percent. Both the SES and ESM programmes were tracking behind projected spend mainly due slow delivery on Housing Support, Military Pensions, Compensation for injuries and skills development.

**Observations**

Against the background that there are challenges besetting the Department, it is imperative that the Department turn around its performance to effectively and competently deliver benefits to military veterans. There have been dire challenges regarding the delivery of houses as evidenced by 168 delivered against the planned 1 000 at the end of the financial year. Other areas of slow spending included Healthcare Support, Social Relief of Distress, and Skills Development.

**4.6.2 Second Quarterly Report**

The Department of Military Veterans presented its Second Quarterly Performance to the PCDMV on 08 March 2017.

**Non-financial Performance**

The APP indicates that 22 Annual Targets were set for the financial year, and the Department was committed to 20 performance targets areas over the quarter under review. Of the 20 targeted performance areas which the department reported on, 15 targets were achieved which constitute to 75 per cent overall achievement of the targeted performance compared to the performance commitments set for the Second Quarter.

**Financial Performance**

As at 30 September 2016, the total spend was 35 per cent (R206 million) against a targeted spend of 49 per cent (R293 million). Cost of Employment was ahead of budget, mainly driven by lack of capacity in service delivery branches (Socio-Economic Support).

**Observations**

It is imperative that the Department turn around its performance to effectively and competently deliver benefits to military veterans. Given the budget allocated to the Department, the underspending needs to be addressed and systems should be in place to do this in a proper and effective manner.

**4.6.3 Third Quarterly Report**

The Department of Military Veterans presented its Third Quarterly Performance to the PCDMV on 9 March 2016.

**Non-financial Performance**

The Department is committed to 19 performance targets areas over the quarter under review. Of the 19 targeted performance areas which the department reported on, 12 targets were achieved which constitute to 63 per cent overall achievement of the targeted performance compared to the performance commitments set for the 3rd Quarter.

**Financial Performance**

As at 31 December 2016, the total spend was 49 per cent (R290.8m) against a targeted spend of 75 per cent (R 446.1m). Cost of Employment was ahead of budget, mainly driven by lack of capacity in service delivery branches (mainly Socio-Economic Support). Capital expenditure for administration was impacted by the reclassification of cell phone lease from normal goods and services to financial lease.

**Observations**

Overspending on Compensation for injury in military service and pension transfer incurred expenditure even though no funds were allocated. Overspending on Education Support and Skills Development were indicated as concerns by members. Burial Support budget was exhausted due to retrospective payments.

**4.6.4 Fourth Quarter Report**

While the audit opinion for FY 2016/17 was being awaited, the Department submitted its Fourth Quarterly report which was presented to the PCODMV on 10 May 2017. Given that much of the information is taken up in the 2016/17 Annual Report, this section is not further discussed.

**5. VOTED FUNDS AND PLANNED EXPENDITURE FOR FY 2017/18**

**5.1** **Allocated Budget 2017/18**

The Department is working towards obtaining its own separate budget vote to ensure that it is accounting for its own budget with its own accounting and budgeting systems. It received a total allocation of R622.1 million for the 2017/18 financial year, increasing from R597.6 million in 2016/17. While this reflects a nominal increase of R24.4 million in allocation, when adjusted for inflation it equates to a real percentage decrease of 2.07 per cent. The largest real percentage decrease is for the Empowerment and Stakeholder Management (2.92 per cent), followed by Administration (1.93 per cent) and Socio Economic Support (1.67 per cent).

**Table 4: DMV Increase/decrease per programme from 2016/17 to 2017/18**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | | | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2016/17** | **2017/18** | **2018/19** | **2019/20** | **2016/17-2017/18** | | **2016/17-2017/18** | |
| Programme 1: Administration | 143,7 | 149,8 | 162,4 | 173,1 | 6,1 | - 2,8 | 4,24 per cent | -1,93 per cent |
| Programme 2:Socio-Economic Support | 294,1 | 307,4 | 324,4 | 342,8 | 13,3 | - 4,9 | 4,52 per cent | -1,67 per cent |
| Programme 3: Empowerment and Stakeholder Management | 159,8 | 164,9 | 173,3 | 183,6 | 5,1 | - 4,7 | 3,19 per cent | -2,92 per cent |
|  | | | | | | | | |
| **TOTAL** | **597,6** | **622,1** | **660,1** | **699,5** | **24,5** | **- 12,4** | **4,10 per cent** | **-2,07 per cent** |

**5.2 DMV selected performance indicators and targets**

The DMV Selected Performance Indicators and Targets for FY2016/17 to FY2018/19 form the basis of the DMV contribution to the National Development Plan. Most of these indicators were underachieved. For instance, 1 000 houses were planned; only 168 were delivered. Although there is an improvement, the DMV track record on housing delivery has been problematic. In 2014/15, no houses were delivered. In 2015/16, 130 of the planned 1 000 houses were delivered. For the period under review, 168 of the planned 1 000 houses were delivered. The lack of delivery for houses will lead to the underachievement of the planned 5 000 houses by 2020 as per the strategic plan.

**Table 5: selected performance indicators and targets**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Indicator*** | ***2014/15*** | ***2015/16*** | ***2016/17*** | ***2017/18*** | ***2018/19*** |
| Total number of deserving military vets with access to health care services | 6 795 (7 000) **Underachieved** | 8 264 (14 666) | 15 740 (14 500) | 15 000 | 16 000 |
| Number of military vets with decent housing per year | 0 (1 000)  **Underachieved** | 130 (1 000)  **Underachieved** | (168) 1 000  **Underachieved** | 1 000 | 1 000 |
| Number of military vets memorial sites erected per year | 2 (2)  **Achieved** | 2 (2)  **Achieved** | 2(2)  **Lack of Audit Evidence** | 2 | 3 |
| Number of military vets with access to training and skills development per year | 2 450  (2 500)  **Underachieved** | 1 543 (3 000)  **Underachieved** | 3 500  (1 908)  **Underachieved** | 4 000 | 5 000 |
| Number of private sector companies in partnership with DMV per year | 15 (10)  **Underachieved** | 11 (10)  **Achieved** | 0 (60)  **Underachieved** | 60 | 60 |

**5.3 Programme 1: Administration**

Although the programme received a nominal increase of R6.1 million, in real terms, this amounts to a reduction of R2.1 million, which indicates a real percentage decrease of 1.94 per cent compared to 2016/17. Except for Corporate Services and Financial Management with real percentage increases of 20.82 per cent and 7.51 per cent respectively, all other sub-programmes received decreased allocations in real percentage. The largest reduction is for Sub-programme 4 (Internal Audit) which received a 36,89 per cent real decrease in its allocation. Sub-programme 5 (Strategic Planning, Policy Development, Monitoring and Evaluation) also received a 25,99 per cent real decrease. Sub-programme 6 (Office Accommodation) and Sub-programme 1 (Management) received 1,45 per cent and 11,91 per cent real reductions respectively.

In terms of economic classifications, two major increases were noted. First, the allocation for Computer services increased from R3.1 million in 2016/17 to R16.1 million in 2017/18. Second, the allocation for Operating Leases increased from R13.6 million in 2016/17 to R18.4 million in 2017/18. In contrast, the allocation for Contractors Business and Advisory Services decreased from R10.9 million in 2016/17 to R1.9 million in 2017/18.

**Table 6: Nominal and real increases/decreases in the Administration Programme**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme**  **R million** | **Budget** | | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Per cent change in 2017/18** | **Real Per cent change in 2017/18** |
| **2016/17** | **2017/18** |  |  |  |  |
|  |  |  |  |  |  |  |
| Sub-programme 1: Management | 8,4 | 8,8 | 0,4 | - 0,1 | 4,76 per cent | -1,45 per cent |
| Sub-programme 2: Corporate Services | 51,7 | 66,4 | 14,7 | 10,8 | 28,43 per cent | 20,82 per cent |
| Sub-programme 3: Financial Administration | 18,2 | 20,8 | 2,6 | 1,4 | 14,29 per cent | 7,51 per cent |
| Sub-programme 4: Internal Audit | 16,1 | 10,8 | - 5,3 | - 5,9 | -32,92 per cent | -36,89 per cent |
| Sub-programme 5: Strategic Planning, Policy Development and Monitoring and Evaluation | 21,1 | 16,6 | - 4,5 | - 5,5 | -21,33 per cent | -25,99 per cent |
| Sub-programme 6: Office Accommodation | 28,3 | 26,5 | - 1,8 | - 3,4 | -6,36 per cent | -11,91 per cent |
|  |  |  |  |  |  |  |
| **TOTAL** | **143,8** | **149,9** | **6,1** | **- 2,8** | **4,2 per cent** | **-1,94 per cent** |

**Performance Indicators for Programme 1 (Administration)**

Programme 1 includes 9 set targets for 2017/18, which is a reduction as compared to 12 set targets for 2016/17. More importantly, 6 of these targets are new. A total of 9 targets from 2016/17 no longer appear in the APP. The three retained targets include Percentage of approved Communication Strategy activities implemented, Percentage of cases from the Presidential Hotline resolved, and Percentage of legitimate invoices paid within 30 days of receipt.

**Table 7: Selected performance targets for Programme 1**

| **Performance Indicator** | **Audited Outcome** | **Audited Outcome** | **Estimated Performance** |
| --- | --- | --- | --- |
| **2015/16** | **2016/17** | **2017/18** |
| Percentage representation of women at SMS level | New target | New target | 50% |
| Percentage of targets achieved against those planned in the APP | New target | New target | 100% |
| Percentage of targets achieved against those planned in the MPAT Improvement Plan | New target | New target | 100% |
| Fully integrated military veterans benefits management systems | New target | New target | Solution Construction and Implementation |
| Number of liberation struggle history research output | New target | 5 | 5 |
| Percentage representation of Persons with Disability | New target | New target | 2% |

**5.4 Programme 2: Socio-Economic Support Services (SES)**

Programme 2 received a real percentage decrease of 1.67 per cent in its allocation. This should be considered a concern since the programme relates to the core business of the DMV, namely delivering services to veterans. Sub-programme 1 (Database and Benefits Management) and Sub-programme 3 (Socioeconomic Support Management) received reduced allocations of 7,61 per cent and 8,55 per cent respectively. The reduction for Database and Benefits Management is a concern. Nonetheless, there is also an important increase of 26,81 per cent in Sub-programme 2 (Health Care and Wellbeing Support). This shows that emphasis is being place on the provision of health care services for military veterans as per Minister of Defence and Military Veterans priorities.

In terms of economic classifications, the allocations remained relatively stable. There is an increase in the allocation for Goods and Services from R34.2 million in 2016/17 to R53.4 million in 2017/18. There is also an increase in the allocation for Contractors from R24.5 million in 2016/17 to R34.4 million in 2017/18. Contrary to 2016/17 in which there was a decrease in the allocation for Travel and Subsistence from R6.2 million in 2015/16 to R2.6 million, this year the allocation increases substantially to R10.9 million.

**Table 8: Nominal and real increases/decreases in the Socio Economic Support Programme**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Per cent change in 2017/18** | **Real Per cent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
|  |  |  |  |  |  |  |
| Sub-programme 1: Database and Benefits Management | 11,2 | 11,0 | - 0,2 | - 0,9 | -1,79 per cent | -7,61 per cent |
| Sub-programme 2: Health Care and Wellbeing Support | 56,9 | 76,7 | 19,8 | 15,3 | 34,80 per cent | 26,81 per cent |
| Sub-programme 3: Socioeconomic Support Management | 226,0 | 219,7 | - 6,3 | - 19,3 | -2,79 per cent | -8,55 per cent |
|  | | | | | | |
| **TOTAL** | **294,1** | **307,4** | **13,3** | **- 4,9** | **4,5 per cent** | **-1,67 per cent** |

**Performance Indicators for Programme 2 (Socio Economic Support Services)**

Programme 2 has four strategic objective annual targets and four annual performance targets. Selected targets which are key to service delivery to military veterans are reflected in the table below. Of specific concern is the targets related to housing and the finalisation of the database, as past performances in this regard has been significantly lower than the set targets.

**Table 9: Selected strategic and performance targets for Programme 2**

| **Performance Indicator** | **Audited Outcome** | **Audited Outcome** | **Estimated Performance** |
| --- | --- | --- | --- |
| **2015/16** | **2016/17** | **2017/18** |
| 95% credible and secured military veterans database | 98%  **Achieved** | 85%  Indicator Changed | 90% |
| 5 000 eligible military veterans have decent housing by 2019/20 | 130 (1 000)  **Achieved** | 168 (1000)  **Underachieved** | 1000 |
| 17 000 military veterans have access to healthcare services by 2019/20 | 14 666  **Achieved** | 15 740 (14 500)  **Achieved** | 15 000 |
| 12 700 eligible military veterans and dependents across the country are provided with continued education support by 2019/20 | 5 482  **Achieved** | 7 146 (4 000)  **Achieved** | 8 700 |

**5.5 Programme 3: Empowerment and Stakeholder management (ESM)**

Programme 3 received a real percentage reduction of 2.92 per cent. In terms of sub-programmes only Sub-programme 2 (Empowerment and Skills Development) has the reduction of 12.17 per cent as compared to 2016/17. Sub-programme 1 (Provincial Offices and Stakeholder Relations) and Sub-programme 3 (Heritage, Memorials, Burials and Honours) received increases of 4.5 per cent and 37.64 per cent respectively.

In terms of economic classifications, the allocations remained stable between the 2016/17 and 2017/18, with little noticeable variations. Only Stationery received a slightly increased allocation. In contrast, Training and Development, received a decreased allocation of R66.4 million in 2017/18 as compared to R71.3 million in 2016/17. No allocations were made for Machinery and Equipment, and Software and other intangible assets.

**Table 10: Nominal and real increases/decreases in the Empowerment and Stakeholder Management Programme**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | | **Nominal Increase / Decrease in 2017/18** | **Real Increase / Decrease in 2017/18** | **Nominal Per cent change in 2017/18** | **Real Per cent change in 2017/18** |
| **R million** | **2016/17** | **2017/18** |
|  |  |  |  |  |  |  |
| Sub-programme 1: Provincial Offices and Stakeholder Relations | 44,2 | 49,1 | 4,9 | 2,0 | 11,09 per cent | 4,50 per cent |
| Sub-programme 2: Empowerment and Skills Development | 100,7 | 94,0 | - 6,7 | - 12,3 | -6,65 per cent | -12,19 per cent |
| Sub-programme 3: Heritage, Memorials, Burials and Honours | 14,9 | 21,8 | 6,9 | 5,6 | 46,31 per cent | 37,64 per cent |
|  | | | | | | |
| **TOTAL** | **159,8** | **164,9** | **5,1** | **- 4,7** | **3,2 per cent** | **-2,92 per cent** |

**Performance Indicators for Programme 3 (Empowerment and Stakeholder Management)**

Programme 3 has five strategic objective annual targets and five annual performance targets.

**Table 11: Selected strategic and performance targets for Programme 3**

| **Performance Indicator** | **Audited Performance** | **Audited Performance** | **Estimated Performance** |
| --- | --- | --- | --- |
| **2015/16** | **2016/17** | **2017/18** |
| Number of private sector companies and organs of state having agreements with the DMV | 11  **Underachieved** | 60  **Underachieved** | 4 |
| Number of military veterans and their dependents provided with approved funding for skills development programmes | 1 543  **Underachieved** | 3 000  **Underachieved** | 4 000 |
| Number of veteran’s businesses provided with access to empowerment opportunities | 0 (40)  **Underachieved** | 179 (100)  **Achieved** | 110 |
| Percentage of approved burial claims paid within 30 days of receipt | New target | New target | 100% |
| Number of military veterans memorial sites erected per year | 2 (2)  **Achieved** | 2 (2)  **Lack of Audit Evidence** | 2 |
| Number of agreements established at continental and international levels per year | 0 (25)  **Underachieved** | 0 (30)  **Underachieved** | 35 |

## 5.6 Personnel information and salaries

Analogous to 2016/17, personnel figures remain at 169 for 2017/18. The total cost associated with employees increases from R102.7 million in 2016/17 to R113.8 million in 2017/18. Personnel figures are expected to remain stable over the MTEF period. It should be noted, however, that a number of additional personnel have been seconded to the DMV from the Department of Defence. The additional personnel numbers are as follows:

* Programme 1: 51
* Programme 2: 21
* Programme 3: 5

Furthermore, Programme 1 has a vacancy rate of 19 per cent while Programmes 2 and 3 have vacancy rates of 10 per cent and 30 per cent respectively. This is of concern as it may hamper service-delivery. In one of the engagement between the DMV and the Standing Committee on Public Accounts (SCOPA), it was made clear that there is a significant capacity shortage in terms of the DMV’s Internal Audit capacity. This was, in part, as a result of personnel limitations.

**5.7 Expenditure - Looking forward (1st quarter of the 2017/18 FY)**

The Department of Military Veterans received a total allocation of R622.1 million for the 2017/18 financial year, increasing from R597.6 million in 2016/17. While this reflects a nominal increase of R24.4 million in allocation, when adjusted for inflation it equates to a real percentage decrease of 2.07 per cent. The largest real percentage decrease is for the Empowerment and Stakeholder Management (2.92 per cent), followed by Administration (1.93 per cent) and Socio Economic Support (1.67 per cent). The DMV has had significant problems in spending its allocated budget and achieving some of its performance targets in the past. Tracking Quarterly Expenditure is thus essential to ensure delivery on the DMV mandate.

The briefing to the Committee on 16 August 2017 indicated that at the end of the first quarter, DMV spending was at 18 per cent or R109.6m against the target of 25 per cent or R155.5m and a variance of 7 per cent or R45.9 million. Cost of Employment was marginally ahead of budget by 1% mainly due to the imbalances on the DMV organogram. To overcome the imbalance in structure and to ensure continuous delivery of service, it necessitated the utilisation of contractors and interns and hence the noticeable cost pressure on CoE. Overall spend for Administration was behind budget mainly driven by inability of DMV to pay SITA, Gfleet and Public works invoices due to contract documents under query and Central Supplier Database matters on the Public Works account. Both these matters have since been cleared and payments are now taking place.

***Slow spending on key performance areas***

* Housing at 4 percent.
* Skills development at 8 percent.
* Healthcare at 15 percent.

***Areas of high spending***

* Education Support at 32 percent.
* Social Relief at 37 percent.
* Burial Support at 43 percent.

***Areas of concern: Programme 1 (Administration)***

* Percentage of targets achieved against those planned in the APP at 42 per cent against the planned 100 percent.
* Percentage of targets achieved against those planned on approved MPAT Improvement Plan at 20 per cent against the planned 100 percent.

***Areas of concern: Programme 2 (Socio-Economic Support)***

Total number of military veterans with access to healthcare services at 177 instead of the planned 250.

***Areas of concern: Programme 3 (Empowerment and Stakeholder Management)***

* Number of military veterans and their dependants provided with approved funding for skills development programmes at 187 instead of the planned 900.
* Number of military veterans’ businesses provided with access to empowerment opportunities at 24 instead of the planned 40.

1. **5.8 Oversight visit reports: summary of key service delivery issues.**

The Committee did not conduct any oversight visit to the DMV in 2016/17.

**6. COMMITTEE KEY FINDINGS: DePARTMENT OF military VETERANS**

**Appreciation**

* The Department was commended for receiving an unqualified audit opinion with findings for the first time since its existence. This is major improvement based on the previous findings.
* The Department was also commended on the strides it made to improve the performance in certain benefits.
* The Committee commended the DMV for ensuring that 7 146 Military veterans and their dependants were provided with bursaries for higher and basic education, 50 of whom have graduated.
* The Committee commended the DMV for authorising, to date, a total of 15 740 military veterans and beneficiaries with access healthcare.
* The Committee welcomed the efforts by the DMV to ensure that a monthly allowance of R1 200 was provided to 2 243 military veterans and/or dependants with SRD. The compassion shown by the Department to alleviate the plight of military veterans is commendable.
* Burial support funding was provided to 460 military veterans is also appreciated. The DMV is commended for this achievement, but concerned regarding the stated high cost of tombstones.
* The Committee commends the DMV for not incurring unauthorised expenditure for 2016/17.

**Technical aspects**

The Committee finds the various mistakes and misstatements in the Annual Report unacceptable. These range from mistakes found by the A-G, to mistakes regarding the number and salaries levels of personnel, and the miscalculation of the performance targets reached.

**Financial Performance**

* The Committee was concerned about the underspending of the DMV. For 2016/17, it underspent by R92.9 million or 15.5 per cent. This is concerning given the fact that military veterans are in dire need of benefits.
* The Committee was concerned about the Irregular Expenditure. The closing balance was R82.26 million, which include R65.9 million, from the previous years, and R16.3 million for the current year.
* The Committee is concerned about the Fruitless and Wasteful Expenditure awaiting resolution. This was R3.2 million, which include R2 million for 2015/16, R1.8 million for 2016/17, and R658 000 transferred to receivables for recovery.
* The lack of consequence management and the reporting thereof was raised as a concern by the Committee, especially regarding issues such fruitless and wasteful expenditure.
* Particular concern was expressed on the amount of Contingent Liabilities. The total for Liabilities was R206 million, which is about a third of the DMV budget.
* The Committee was concerned about Compliance with legislation with regard to Financial Statements, Performance and Annual Report; Expenditure Management; Procurement and Contract Management; Strategic Planning and Performance Management; and Internal Control.

**Non-financial Performance**

* The Committee was concerned that many of the issues are of a recurring nature and that it has previously recommended to the Department to address these issues, but little progress has been made.
* In terms of the three programmes, the DMV had a total of 23 set targets of which 14 were achieved leading to a success rate of 61 per cent. At the same time, 84.5 per cent of the total budget was spent, which is a concern as funds spent do not result in increased performance.
* For Administration, the Committee is concerned with regard to the achievement of 66.7 per cent of the set targets against 99.8 per cent spending of the total budget.
* For Socio-Economic Support, the Committee is concerned with regard to the achievement of 60 per cent of the set targets against 77.7 per cent spending of the total budget. More concerning is the underachievement of housing target. A target of 1 000 was set and only 168 were achieved.
* For Empowerment and Stakeholder Management, the Committee is concerned with regard to the achievement of 50 per cent of the set targets against 82.7 per cent spending of the total budget.
* The differing totals of staff employed by the DMV was raised as a concern, as it differed from 207 to 240 in terms of compensation as stated in the Annual Report. About 33 were seconded from the DOD.
* The Committee was concerned about beneficiaries that received benefits without being approved for Education Support. In addition, the education benefit is not included in the regulations and there is currently no approved policy. The Committee seeks report on how this occurred.
* Concern was raised with regard to suppliers paid without rendering services. The Committee request an update regarding how this happened and consequence management instituted against those involved.
* Even though SITA is supporting the DMV, IT Independence is a challenge.
* Payment of invoices within 30 days is a serious concern.
* The Committee raised its concern with regard to the differing numbers for training and skills development.
* It is concerning that 1 849 veterans were provided with skills development, yet no placements were made.
* The Committee raised concern about the unreliability of the Database, and its impact on the future planning and budget.

**7. COMMITTEE Recommendations**

* Internal Audit should be fully staffed as a matter of urgency.
* Plans are needed to remedy the IT challenge.
* Amendment of Regulations to include Education Support is urgently required. The DMV should ensure this is done as soon as possible.
* Payment of invoices within 30 days should be ensured. Plans should be in place to ensure that this happens.
* The DMV should provide a report with regard to skills provided to military veterans to ensure that they are employable or able to start their own businesses.
* The Database should be cleaned as a matter of urgency to ensure that deserving military veterans and beneficiaries receive their benefits.
* Provincial offices should be established in all provinces as a matter of urgency to ensure that military veterans have access to military veterans’ facilities and services.
* The transport benefit should be finalised as a matter of urgency to ensure that military veterans are able to travel to provincial offices, and other places to seek employment, especially those emanating from rural areas.
* The Department was urged to ensure that all systems are in place to ensure that it is able to exist independently from the Department of Defence.
* A Skills Audit is essential to properly plan training and the Department was requested to present a report on this at the next meeting, especially as the vacancies and skills gaps in the service delivery programmes are detracting it from functioning optimally.
* Only 99 per cent of Performance Agreements were signed. The Department was urged to ensure that 100 per cent is reached.
* The Department should give feedback on efforts to improve the relationship with SITA, *inter alia* the instruction that IT-related equipment should be procured through it, as well the status of their monthly meetings to improve their relationship.
* The MPAT report and its outcomes should be provided to the PCODMV.
* Updates on the cases under litigation are needed and should be reported to the PCODMV.
* Competitive bids investigation updates are needed and should be reported to the PCODMV.
* The Communication strategy should stretch to rural areas.
* The Committee informed the DMV to report at the next meeting on the cases and steps taken against persons who were found to be responsible for instances of Irregular and wasteful expenditure and other serious transgressions.
* The Committee recommended that funds allocated to NSFAS for bursaries are utilised and properly accounted for by the DMV. Service providers for education should be expanded.
* The Department was requested to report to the Committee on its new structure as soon as it has been approved by the Executive Authority.
* The Committee wants the Department to report on a quarterly basis on progress with housing and the transport benefit, in which the Department performed poorly in previous years.
* The Department was encouraged to improve the performance of the Strategic Planning, Policy Development and Monitoring and Evaluation sub-programme through proper and speedy staffing as well as Management playing a bigger role to take responsibility for their respective policies.
* The Committee recommended that the Department should report back on the outstanding issues at the next meeting and especially progress regarding the recurring issues to allow the Committee to track progress in this regard.

**Report to be considered.**